



**Quarterly Report for the period of
October 1 – December 31, 2001**

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**GEORGIA LAND MARKET DEVELOPMENT
COOPERATIVE AGREEMENT No. 114-A-00-01-00111-00
BETWEEN
THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AND
TERRA INSTITUTE**

This report comments on the status of the Cooperative Agreement (CA) through completion of the first three months of Work Program #3 (October 1 to December 31, 2001).¹ It also indicates key linkages between Work Program #3 accomplishments, and tasks to be undertaken during Work Program #4 and subsequent periods.

1. TERRA INSTITUTE RESPONSIBILITIES AND ACTIVITIES:

The following work has been accomplished on the various responsibilities, activities and targets as specified in the Cooperative Agreement (CA) between the United States Agency for International Development (USAID) and Terra Institute. (Month #6 = October; Month #7 = November; and Month #8 = December, 2001.)

Annex A provides a graphic representation of the Project Timeline, which includes Terra Institute and APLR “Targets” for Georgia Land Market Development Project, as well as highlighting actual “Targets Achieved” and any agreed changes that may have been made to the timeline. Annex B provides a graphic representation of the targets for the registration of parcels and issuance of certificates for said parcels during the life of the project and the actual numbers for Work Program #3.

1.1 Financial Management Capacities:

During the reporting period, the Auditing Corporation of Georgia (ACG) has continued its pre-audit review of APLR financial transactions. ACG has been and will continue to prepare

¹ Please note: Work Program #3 was extended for an additional fourth month [to January 31, 2002] in order to allow future Quarterly Reports to be completed and reviewed by USAID prior to the preparation of the subsequent three-month Work Program.

monthly reports to Terra that identify any weaknesses in the internal administrative controls of the APLR. The recommendations of these reports are being implemented by APLR.

During this Work Program period, ACG and the APLR's Financial Manager continued work on the APLR's draft ***Financial and Administrative Procedures Manual***. The draft manual was completed in December, and provides the basis for systematizing the APLR's financial and administrative activities.

Support provided to APLR by ACG, as well as the direct support provided by Terra's administrative staff, continues to help assure that legal and contractual requirements are satisfied, as well as A133 Auditing Standards requirements and the accounting and tendering procedures of Georgia. These monthly reviews and resulting reports prepared by ACG will help satisfy audit requirements, and will assist the APLR in acquiring the financial, management and procurement skills needed.

During December, meetings were held with the USAID Mission's Controller regarding the A-133 audits of APLR. A tender will be held in January to select a qualified accounting firm to conduct this audit, and the audit itself will be completed in February. A second A-133 audit of APLR will be held in early 2003, and a third and final audit will be performed in the fall of 2003, following completion of all project activities by APLR.

Targets of the CA:

- 1.1.1 APLR accountant prepares accounting report independently by the end of Month 8.

Status: The APLR Financial Officer successfully and independently prepared the monthly accounting report for September (Month 5), thereby achieving this target three months ahead of schedule.

ACHIEVED

- 1.1.2 APLR Operations Manual completed by Month 10

Status: Substantive review and revision of the draft version of the Manual continued during Months 6-8, and the draft version was completed in December. The draft Manual will be reviewed during January, and finalized in Month 10.

ON SCHEDULE

- 1.1.3 Administrative procedures audit by Month 12

Status: An administrative procedures audit was completed and finalized before the end of Month 2.

ACHIEVED

1.2 Revenue Supply, Financial Monitoring and Contracting:

Provision of banking service to accept USAID provided funds from Terra, supply operational funds to the APLR, contract with foreign experts, and monitor financial practices and reporting by APLR. This service will be provided directly by Terra Institute with assistance by financial and administrative-procedures experts.

Targets of the CA:

- 1.2.1 APLR sub-agreement with Terra by Month 1
Status: Subagreement was signed on 11 May, 2001, Month 1 of the project.
ACHIEVED
- 1.2.2 APLR bank accounts opened by end of Month 1
Status: The APLR has opened in May, 2001 a US Dollar account and a GEL account in the TBC Bank, for exclusive use in the administration of funds advanced from Terra to the APLR.
ACHIEVED
- 1.2.3 APLR procedures for reporting on monthly expenditures and reconciliation of accounts by the end of Month 1
Status: Four monthly financial reports were defined and tested during Month 1: 1) A “no-pay invoice” classifying the APLR’s expenditures under the sub-agreement by budget item, showing the accumulated expenditures, any credits received, and work program budget balances; 2) a “reconciliation” report showing the beginning month balances, any transfers or program or interest credits during the month, the total expenditures during the month, and the end of month fund balances; 3) a ledger of all transactions during the month; and 4) a running balance of the overall budget under the agreement with Terra Institute.
ACHIEVED
- 1.2.4 Terra-identified financial advisors in place, end of Month 2.
Status: An agreement with the ACG was developed and signed on 30 June 2001, for that company’s auditors to perform “pre-audit” reviews of all APLR financial transactions to assure that the documentation and reviews of these transactions are in accordance with the APLR Procedures Manual and with the requirements of Terra Institute’s agreement with the APLR.
ACHIEVED

1.3 APLR Capacity Building:

This task includes the provision of advice and support to the APLR to increase its operational, management, and administrative capacity. This advice and support is provided directly by Terra Institute’s Resident Advisor, short-term expertise as needed, and by NGO (Non-Governmental Organization) development specialists.

During December, with assistance of NGO development specialists Norman Flynn and Bill Malkasian as well as the Resident Advisor, the APLR Board and Senior Staff participated in a Strategic Planning Exercise that resulted in the preparation and adoption of a Strategic Plan for APLR. The Board subsequently met in December, and agreed to appoint a series of Working Committees at its first meeting in 2002, with responsibility to implement different aspects of the Strategic Plan. The Strategic Planning process, and the Plan itself, will provide APLR with the tools needed to forge a sound basis for the future growth and sustainability of APLR as the leading land use NGO in Georgia. A copy of the Strategic Plan is included in this report as Annex C.

In addition, during December the APLR Professional Development Plan was finalized and adopted by the Board. A copy of this plan is outlined in a memorandum which is included in

this report as Annex D. A tender was held to select a training consultant to assist in the implementation of selected portions of the plan. Most of the professional development training will occur during 2002 and early 2003. APLR also initiated other components of the plan, notably by inaugurating the Professional Development lecture series.

A copy of the trip report from Mr. Norman Flynn, from the International Real Property Foundation is included in this report as Annex E. Mr. Flynn also generated a Work Program and budget for the IRPF activities under this theme. Terra Institute is still working with Mr. Flynn on the details of the IRPF's Work Program and budget details and the draft work program and budget is expected to be finalized during the beginning of February. A draft report is available on request.

Targets of the CA:

1.3.1 Confirmation of APLR organizational structure end of Month 3

Status: The revised Charter of the APLR was completed in August (Month #4) and made available to the Board of Directors and membership for review and comment. The Board convened the Annual Meeting of Members in Month 5, at which time the Members voted to adopt the revised Charter, and proceeded to elect a new Board of Directors, confirm the appointment of the Association's Director, and elected an operational Review Committee to advise the Board and the senior management of the Association. Subsequently, during Month 5, the new Board of Directors met to elect its Chairman, and to organize itself to carry forward a program of membership expansion, and the development of a strategic plan for assuring the technical strength and financial sustainability of the Association over the coming years. As a result of these actions, the organizational structure of the APLR has been clarified and confirmed, and the foundations for sustained organizational growth over the coming months and years have been put in place.

ACHIEVED

1.3.2 NGO/SRO (Non-Governmental Organization/Self-Regulating Organization) Development advisor report on the status of the APLR by Month 3.

Status: During his July TDY, Robert Cemovich drafted an Action Plan after consultation with APLR management and staff. The Action Plan outlined the appropriate steps to reorganize the APLR in order to meet the challenges of growth, and the need for financial sustainability. The Action Plan advised the APLR on the content and timing of the Charter revisions, the need for holding the annual Meeting of Members, election of the new Board, and other issues that needed to be addressed by APLR, in accordance with CA and other requirements. The Action Plan was subsequently implemented by the APLR during the months of August and September.

ACHIEVED

1.3.3 Training plan for professional development of APLR staff, end of Month 5

Status: During the course of the many discussions held by APLR management and staff during August and September, it became clear that the APLR's professional development needs are closely related to, and dependent upon, the strategic mission of the organization. However, the articulation of the APLR's Strategic Mission must be based upon in-depth discussion by APLR members, management and staff, and must be reflected in a long-range plan for APLR's organizational development. This activity is planned to happen in November/December, following a series of facilitated workshops

involving all interested parties, and will yield a Strategic Plan for APLR Organizational Development (see Target 1.3.4, below.) The Professional Development Training Program for APLR staff will be consistent with and incorporated into the Strategic Plan. The Plan was completed and adopted during the month of December, and implementation has been initiated.

ACHIEVED

1.3.4 Strategic plan for APLR organizational development, end of Month 7.

Status: Beginning with the discussion of the new Charter of the APLR, and membership and board meetings held in August/September, the conditions have been set in motion to develop the long-term organizational development strategy for APLR. This Plan (which will incorporate the Staff Training Plan) was generated by and approved during the December Strategic Planning Workshop. Final delivery was Month 8.

ACHIEVED

1.4 Land Privatization, Legal Reform, and Land Market Development Support:

In support of the Legal Sector of the APLR, specialized support and advice from foreign land reform and legal experts on aspects of land privatization, land law reform, and land market development will be provided.

Expat Land Privatization Expertise. Professor William Thiesenhusen arrived in Tbilisi in late November for a two-week TDY to work with the Legal Sector and other team members on state agricultural land privatization, and the development of options for land market transactions involving family owned agricultural land. Recent parliamentary maneuvering and governmental restructuring in Georgia has resulted in a suspension of substantive legislative action and a shifting of political factions. However, Thiesenhusen was able to meet with a wide range of interested parties, both in Tbilisi and in the regions, and a draft report on his findings and recommendations will be submitted in early January.

Case Study of Land Distribution Conflicts. Work continued to help the APLR devise ways to resolve problematic situations where SDLM (State Department for Land Management) land arrangers improperly conduct land distributions (example of Dighomi). During November, the Resident Advisor and the APLR Director attended a meeting at the World Bank's LRU with local Dighomi residents to discuss strategies for completion of the World Bank's registration project in the event of non-cooperation by the former Land Arranger. Also, in December, APLR monitored the selection process for obtaining a new Land Arranger in Dighomi. The Dighomi experience will be documented by APLR at an appropriate time, to serve as a case example of how to investigate and resolve instances of fraud and corruption in local land distribution.

Arbitration/Mediation Services Pilot Project. Disputes dealing with land (as well as other types of disputes) are costly and time-consuming to resolve in a traditional courts framework. Further, court procedures tend to be less flexible, and judges are rarely knowledgeable about land and property issues. Therefore, the project is intending to develop a pilot project to conduct arbitration/mediation services as an alternative dispute resolution technique. During the Moldova site visit, information was collected on the arbitration system in effect in that country. Meetings have also been held with Russian mediation specialists. During December,

a Task Force was formed within the project to prepare a design for the pilot project. The Task Force prepared an initial memorandum, which will be reviewed internally, and finalized for USAID review in January.

Training for Registrars and Notaries. On November 20th, APLR, in cooperation with the SDLM, organized the first national seminar of Registrars in Georgia. A representative of the Chamber of Notaries was also present at the seminar. The seminar explored a wide range of problems and issues affecting the work of Registrars, including:

- Public access to Registry data
- Costs and other impediments to wider use of Registry information
- Training needs of Registry staff
- Registration procedures, including the proper role of Notaries in effectuating property registrations and subsequent transfers
- Physical needs of Registry offices
- Data collection procedures for creating a centralized data base of Registry activity

A series of follow-up meetings with Registrars at the regional level is planned to be undertaken in 2002. Similarly, APLR will cooperate with the Georgian Chamber of Notaries in holding a series of training seminars throughout the country to advise and instruct Notaries on the proper way to document and record real property transactions of all kinds.

Donor Coordination. As was the case in prior months, donor coordination occupied a significant portion of staff time during the Work Program # 3 period, involving APLR, SDLM, KfW, World Bank, and UNDP. With respect the KfW project, a number of meetings were held with foreign experts who were assessing land consolidation issues in the agricultural sector. As a follow-up on earlier discussions on ways to reduce possibilities of overlapping and conflicting work activities, KfW conducted a pilot test, using the UNDP software, that was able to demonstrate that data coming from the Land Market Development project and data coming from the KfW project can be combined without insurmountable difficulty into a single computerized database.

In October, the Resident Advisor and the Legal Sector Chief attended the UNECE Conference in Yerevan, organized by the Land Administration Working Group, to participate in discussions regarding comparative experiences in land administration programs. Also attending were representatives of the Georgian SDLM and of the UNDP program in Georgia.

During December, the Resident Advisor, the Association Director, and the Project Director attended a briefing of President Shevardnadze and his Ministers at the State Chancellery, to review progress made by the Land Market Development project. Representatives of USAID also attended the meeting. The principal presentation was made by Chairman Z. Gegechkori of the SDLM.

Policy Dialogue. A variety of policy options continued to be discussed during Months 6-8, including:

- How to transform Registry Offices into an independent, self financed agency within 3 years, with staff salary subsidized from central budget for that period as needed;
- How to integrate BTI (Bureau of Technical Inventory) information, some staff, and Rayon office space into the Registry Office structure, and how to avoid duplicate

and/or other unnecessary charges by the BTI during initial registrations and secondary transactions;

- How to conserve both paper and digital records, when to do which, and role of digital information as archival information until market conditions warrant the switch of some offices to digital technology;
- How to resolve potential conflicts in approaches to initial registration of ownership (i.e., registration of 'households' vs. registration of all household members);
- Resolution of problems of inheritance, and clarification of the process of transfer of ownership upon the death of a registered owner of land

A workshop on the BTI issue is planned for January. Discussion of the operations and sustainability of Registration Office functions was addressed during the November Seminar of the Georgian Registrars, and will be further developed during the regional workshops scheduled for the first half of 2002. A legislative proposal for resolving the status of ownership (e.g., the 'households' issue) is to be prepared in early 2002.

Regional Cooperation. At the suggestion of Eurasia Foundation, APLR has developed a grant proposal designed to forge working relationships with other NGOs active in land use and real estate market development issues in Armenia and Azerbaijan. Discussions with potential counterparts were held during business trips to Yerevan and Baku, conducted by the Resident Advisor and the Legal Sector Chief in October. It is expected that the grant application will be formally submitted to Eurasia Foundation in January of February of 2002.

Targets of the CA:

1.4.1 Status Report on Activities on Land Privatization, Legal Reform and Land Market Development Support in Month 12

Status: The results of these project activities will be reviewed and assessed in April, 2002

ON SCHEDULE

1.5 SRO Development Support, and

1.6 Association Formation:

As originally envisaged in the CA, an umbrella SRO, linking the APLR and several newly formed real estate market professional associations, could be structured in a way that would allow for a synergistic relationship among the various associations to develop, such that the professional associations would benefit from APLR lobbying, legal/policy advice and public education support. Similarly, APLR would benefit from the financial assistance the professional associations will render to it.

The validity of this premise has been the subject of research by an in-house Team of APLR staff, and by Norman Flynn president of the International Real Property Foundation, a noted Realtor/Valuer, and an expat expert on real estate industry professional Associations who has worked extensively with professional groups in Central Europe and the former Soviet Union.

As a result of Mr. Flynn's most recent TDY, it has been confirmed that the concept of a single, financially-integrated SRO organization is not a feasible concept, but rather the various professional groups involved in the development of a vigorous land market should be separately organized. As opportunities present themselves for forming strategic alliances around common issues, or in pursuit of common objectives, then realistic cooperation can be expected. In the absence of such focused collaborations, however, each professional group should concentrate on the issues most directly affecting, and capable of being affected by, that group. Further, each group should seek its own means for assuring its financial independence and sustainability, rather than seeking to be mutually interdependent on financial matters.

This approach was defined to as a **"Two-Path"** strategy in the SRO Assessment report prepared in September and revised in October by Project Director J. David Stanfield. The idea is to take a more "grassroots" approach, building the professional associations and the APLR step by step, using the "two-path" model.

Path 1 will involve the development of the APLR. Activities on this path would strengthen the capacities and scope of the APLR, through diversification of funding, management training, membership mobilization, and provision of services to the landowning public and to the professionals who also provide services to the landowning public.

Following this path, the APLR will structure its membership to include landowners, public servants, and land market professionals as well as bankers and insurance companies. In essence, the APLR becomes the "SRO Umbrella" organization.

The APLR is looking carefully at what constituents it is serving and build an organization that would provide programs, products and services to those constituents. Some constituents that appear to be well within their mandate would be as follows:

- Farmers
- Landowners in general
- State agencies involved in land administration
- Public utilities
- Entrepreneurs/developers or occasional builders
- Bankers interested in mortgage financing
- Land market professionals (see above)
- The World land planning community (World Bank, United Nations, Eurasia Foundation, etc.)

In terms of financial sustainability, there should also be dues for all APLR members. At least some dues payment by its members would demonstrate more serious commitment to the organization, as well as provide financing for organizational development.

In addition, the association should expand its membership to involve and embrace all the constituencies they hope to serve. Revenue models should be developed with each of these constituencies to generate income for the future self-sustainability of the organization. It appears that the best sources of income would be membership dues, service fees (from various publications and information bulletins, reports, programs and products), and lastly grants from grantor organizations throughout the world, including a reasonable "indirect cost" rate for helping to finance the costs of maintaining the organization.

In terms of its strategic and business planning assistance, therefore, the LMDP (through the IRPF and Terra as well as with the assistance of the specialists of the APLR and other Georgian professionals) can help APLR carefully define its constituents, develop programs, products and services that the constituents find of value and develop revenue sources to underwrite the costs of future ALPR activities (i.e. membership dues, service fees and grants/contracts).

Path 2 will encompass the development of related Land Market Professional Associations. Where there is a demonstrated commitment by professional groups to the formation of professional associations, and through extensive consultation and testing of their resolve, The LMPD will provide training and advice on the strengthening of the association. Only where a clear and short term need exists, however, would LMPD provide financial support.

Bridging these two paths are the common members of the APLR and the members of the professional associations who shape coalitions on specific issues.

The LMDP program of real estate association development, with the participation of specialists from the IRPF and APLR's Secondary Transactions Sector, should begin with basic assistance in such areas as: mission definition, leadership development and mobilization and consensus building. As an extension of these activities and as a consensus is forged, each association will develop strategic and business plans.

The APLR could create a **Real Estate Brokers** "chapter" in its membership structure, for those brokers in Tbilisi and throughout the country who have worked with the APLR, who demonstrate an interest in collaboration with other professionals in the proper functioning of land markets, and who the APLR could recommend to others as competent and reliable brokers.

An **Appraiser** Association has been formed, and appears to have adequate support from the Eurasia Foundation. At this time, no further support through the LMPD project appears warranted

The **Real Estate Developers** appear to be too small a group at present to consider for association development. **Property Managers** are also too small a group at present to consider for association development.

Due to the small number of professional **Auctioneers**, and their specialized functions, there will be no capacity for developing a separate association. To assist with the privatization programs which are ongoing, the APLR will develop a training program to be offered to these individuals in order for them to acquire a professional certification of their having passed that training program. The cost of preparing the training materials can be paid by the LMDP, but fees paid by the participants will cover the cost of conducting the training.

Notaries are already well organized in the national Chamber of Notaries. They do not require active support, except for a training program that APLR will develop in conjunction with the Chamber. The financing of that training program has yet to be finalized.

Land Surveyors constitute another group that could form an effective professional association, if the interest to do so exists. A list of all cadastral land surveying companies and

their technically qualified staff will be compiled from the lists of subcontractors having performed adequately in the conduct of cadastral surveys for the USAID, GTZ, UNDP, KfW, World Bank, and SDLM. An assessment of the identified individuals will be conducted to determine the interest in and need for a land surveyor association, and what services that association would provide to its members.

Finally, **Registrars** are another group that would benefit from some form of formal professional association, although their status as employees of the SDLM must be recognized in any effort to create such an association, or union.

Since registrars presently are under the control of the SDLM offices, at the first stage it would be necessary to hold several seminar conferences with registrars. Issues raised would include economic independence for the registrars and how at the same time there would be guarantees that they would carry out the public service of registration of transactions in a professional way. Such gatherings should be held, until the Parliament introduces amendments and additions to the budget Law, as result of which registrars shall obtain economic and political independence.

It would be desirable to advise to registrars, at meetings, to form a professional union, which will take care of protection of their rights and independence. Through establishment of such an organization, the struggle against state bureaucracy regarding granting of independence to registrars will be much easier.

The future project activity dealing with Association Development will proceed on this revised basis, rather than seeking the creation of a single umbrella SRO organization that would dominate the land use policy / land market development field.

Targets of the CA:

1.5.1 Finalization of Development of SRO Umbrella Strategy Report in Month 6

Status: Based on the “two path” approach articulated above, Association Development expert Norman Flynn conducted follow-up meetings with representatives of the Real Estate Brokerage and Appraisal professions during his TDY in November/December. A draft report was prepared during December, for review and finalization in January.

ON SCHEDULE, as revised

1.5.2 Status Report on SRO development in Month 12

Status: The results of the “two path” strategy described above will be reviewed and assessed in April, 2002

ON SCHEDULE

1.5.3 Completion of written Charter and SRO registration in Month 18

Status: Pursuant to the findings of the in-depth assessment of the Georgian real property and appraisal industry and the finalization of the work program, this target will be revised accordingly.

1.5.4 Fees collected from member associations in Month 20

Status: Pursuant to the findings of the in-depth assessment of the Georgian real property and appraisal industry and the finalization of the work program, this target will be revised accordingly.

- 1.5.5 Final Report on the establishment of the SRO with recommendations for further institutional development in Month 24
Status: Pursuant to the findings of the in-depth assessment of the Georgian real property and appraisal industry and the finalization of the work program, this target will be revised accordingly
- 1.6.1 Completion of in-depth assessment of Georgian real property and appraisal industry in Month 5
Status: The findings to date have led to a reconsideration of the original SRO Development concept, as summarized above. As a result of the assessments conducted in Months 4 and 5 by the in-house SRO team, as well as by the expat expert, Norman Flynn, it was deemed advisable to reconsider some aspects of the original SRO concept.
ACHIEVED
- 1.6.2 Post-assessment Report with recommendations for program activity, in Month 5.
Status: Pursuant to the findings of the initial assessment of the Georgian real property and appraisal industry, as confirmed during subsequent months of discussion, Terra Project Director David Stanfield drafted a revised set of recommendations for elaborating a detailed program of professional association development. This report was finalized in October.
ACHIEVED

1.7 Resident Advisor Support:

David Smith continued to provide full-time Resident Advisor duties to the APLR during the Work Program #3 period, with the exception of November 22-26 and December 21-31, when he was out of country on personal holidays. David Stanfield, Terra Project Director, continued to participate actively in key project activities, and also was present in country on TDY during the Work Program # 3 period from October 29 – November 9, 2001.

1.8 Monitoring and Quality Control:

During the Work Program # 3 period, the Monitoring and Quality Control team initiated its control activities in several raions. Further discussion is provided in the APLR achievements section of this Quarterly Report (see below).

2. APLR OPERATIONAL PROCEDURES AND ACTIVITIES:

The APLR's scope of work is to carry on the registration of ownership rights to approximately 1,130,000 agricultural parcels and 270,000 residential parcels, to continue with public education and land market policy work, and to develop a program for SRO formation and a pilot effort for services to mediate among conflicting parties and to resolve legal difficulties of property owners.

The following work has been done on the various responsibilities, activities and targets as specified in the CA and the subagreement between APLR and Terra Institute.

2.1. Registration of Ownership Rights on Approximately 1,400,000 Agricultural Reform Land Parcels, and Issuance of Certificates to Owners:

In the last quarter, work in support of the initial registration of privatized land parcels proceeded in 51 rayons of Georgia. However, in three of these (Telavi, Kvareli and Lagodekhi), activities of the subcontractor companies were suspended. The reason for this was that registration of the Agricultural Reform land parcels envisaged within framework of the Project in these rayons was almost completed and, at the same time, another donor organization – KfW – began work in these rayons focusing on residential land parcels. Suspension of the work of our subcontractors was caused by the necessity to avoid mutual overlapping of activity of the two donor organizations, and a resulting duplication of work.

Work in one of the high-mountainous rayons – Mestia, in Svaneti – was temporarily suspended, due to harsh climatic conditions of the winter to come and, more importantly, due to the complicated political and criminal situation recently arisen in this region. In these conditions, it is impossible to monitor and inspect quality of the work conducted in the rayon. Work in this rayon will continue in spring of the next year, as soon as the weather and other conditions improve.

Targets of the CA:

2.1.1. 500,000 parcels will be registered by the end of Month 8

Status: A statistical summary of work achieved is given below:

	Registrations Achieved by December 10	Registrations Achieved by the end of December
Surveyed parcels (Field work)	569, 430	577,540
Registered parcels	500, 296	516,819
Issuance or Registration Certificates	480, 962	504,670
Registration maps approved (Cadastral Maps)	412, 713	500,019
Parcels registered in registration journals	439, 020	512,998
Surveyed blocks depicted on topographic maps (Base Maps)	386, 988	577,540

ACHIEVED

2.1.2. 1 million land parcels will undergo initial registration by the end of Month 16

Status: ON SCHEDULE

2.1.3. 1.4 million land parcels will undergo initial registration by the end of Month 24

Status: ON SCHEDULE

2.1.4. Professional staff selected by the end of Month 2

Status: As can be seen from the previous quarter's report, professional staff (i.e., subcontractors to APLR) have been selected to work at the rayon level, both for initial registration support and for secondary transactions sectors. Two rayons were left in the

initial registration support sector – Kaspi and Khashuri (these two rayons were included in the planned 51 rayons). The reason for this was the conduct by the SDLM of similar work in these rayons. It was necessary to delimit the works and work areas (territory), in order to avoid overlapping of these activities. Final agreement with the SDLM took place in November. Based on this agreement, - in Khashuri rayon the Project will complete the initial registration process only for those land parcels previously surveyed by the first stage of the LMDP project, and would thus complete its activities in the rayon. In Kaspi rayon, meanwhile, the LMDP will not work in those four sakrebulo where the SDLM had already conducted works, but will work in all other areas of the rayon. It should be noted that tenders had previously been held by APLR in both Khashuri and Kaspi rayons. It was thus necessary only to process contracts with the winning companies in order the Project to continue with the agreed activities in the two rayons, within frames of agreement with the SDLM. The USAID was kept informed of these issues, and consultations were held with representatives.

ACHIEVED

2.1.5. Training of personnel in new rayons by the end of Month 3.

Status: Training of APLR Subcontractors was completed during Work Program #2.

ACHIEVED

2.2. Development of the Secondary Market, Both for Agricultural and Enterprise Land:

Improving the Institutional Base of the Secondary Land Market. Development of a secondary market on land and real estate, as past practice has shown, must undergo several stages of development. In Georgia, this process began from the years 1998-99, when the process of privatization of enterprise land was activated and, at the same time, the last stage of privatization of agricultural land – final titling and initial registration of rights. By the end of the year 2001, this stage of privatization is almost completed, if we do not count the land parcels that are still state-owned. From today, the next stage of development of the secondary market will be to implement the practice of legal secondary transactions on land. It should be said that legislation regulating this process has been perfected.

The main activity of the Secondary Transactions sector of the LMDP is to encourage and assist secondary transactions. The sector has been carrying out these activities through six subcontractor broker companies. These companies, within frames of cooperation with the Project, have provided free-of-charge broker services to landowners. This practice was, on one hand, satisfactory and effective for beginning development of the secondary market and, on the other hand, this practice played the role of a catalyst in the process of establishment and development of such broker companies. It is a fact that this link of services is one of the most important in the process of development of the secondary market. As a result, simultaneously with the institution of the class of landowners was created one of the professional disciplines providing services to the marketplace – real estate brokers.

Currently, for effective development of the secondary market, it is necessary to accelerate the establishment and development of other professional groups that are involved in this process. This includes, first of all, improving the system of registration of land and real estate itself and ensuring its efficiency. Next, attention must be given to development of legal-consultation services, development of arbitration and mediation activities, and expanding the practice of

bank lending on land and real estate. Development of the secondary market, in itself, depends greatly on the overall level of economic growth and development in the country.

This is confirmed by the analysis of activities of the existing broker companies (Annex 1), conducted by the Secondary Transactions Sector during this Work Program period. This analysis has shown that some of these companies have either changed their activity profile, or have shut down. There is a threat that broker activities will become unprofitable or illegal. There are also cases where landowners have returned title to their properties back to the state. This can be said especially about urban enterprise lands. All of the above demonstrates that development of the real estate market demands careful study and improvement of a broad range of professional, institutional, legal, and economic factors in addition to the simple registration of legal title.

Improved Data Collection on the Secondary Market in Georgia. The analytical processing of statistical data on land and real estate markets is of great importance. This data is generated at the rayon Registry level, as new transactions are recorded. The Secondary Transactions sector has elaborated data collection format for the collection and monthly aggregation of such statistical information. The information obtained within the above-mentioned format will allow us to assess the development of real estate market, as well as its weak and strong sides. The Sector has tested this format in Gori and Zestaponi, and the issue was also discussed during the meeting with Registrars (November 14), noted above. Support of the Registrars is essential since the registration office is the body where the necessary information is identified and obtained. It is planned to gather and analyze the statistical information, which already exists within this format with the assistance of the SDLM's Bureau of Statistical Analysis. The result of this analysis will be used as a future analytical material for the future prognosis.

International Cooperation in the Study of the Real Estate Market. In order to become better acquainted with foreign practice of the real estate market, the Head of the Secondary Transactions sector visited Sofia, Bulgaria, where in October was held the CEREAN international conference that dealt with the development of real estate markets in the countries of Eastern and Central Europe. A report on this visit was submitted in December.

Future Directions of the Sector's Activities. During December, the Secondary Transactions sector elaborated a strategic plan, according to which it is planned to change the direction of the activity of the Secondary Transactions sector and conform it as well as possible to the requirements for the development of the secondary market. This strategic plan anticipates focusing the sub-contractor companies on activities such as public meetings, where will be discussed topical issues for the representatives of different layer of market participants. Through the analysis of these issues, it will be possible to identify market requirements, and make relevant amendments in legislation or practice. Up to the present, activities of the sector were oriented to the financing of transactions accomplished through the facilitation of relevant sub-contractor brokerage companies. This practice already resulted in some change: it has encouraged and developed the brokerage companies, especially in rayons (in Tbilisi and central regions this sector was already developed). However, this activity appeared to give special advantage to the subcontractor companies, at the expense of their competitors. It was therefore decided to discontinue this practice in the future so as to avoid creating a non-competitive environment in this sphere.

Targets of the CA:

- 2.2.1. Increase the number of secondary transactions by 20% by the end of Month 14.

Status: The obtaining of statistical information, which will be carried out with the new format elaborated by the sector, will allow us to objectively evaluate the development of real estate market, the characteristic of which is secondary transactions. Based on initial fragmentary data, however, it appears likely that an increase of at least 20% will be realized within the planned period.

ON SCHEDULE

- 2.2.2. Increase the number of secondary transactions by 40% by the end of Month 24.

Status: See discussion above.

ON SCHEDULE

2.3. Supporting and Facilitating the Preparation of a Draft Law on the Privatization of Land Left in State ownership, and Other legal Issues:

The LMDP Legal Team has undertaken a series of activities designed to improve the legal and administrative situation for landowners in Georgia, and to research other topics which can lead to the drafting and enactment of relevant new legislation.

National and Regional Meetings of Registrars. For that purpose, the APLR, with participation of the LMDP Project, organized on November 14 a national-level meeting of land and real estate registrars. This meeting was the first of a series of smaller regional meetings, which will be held on location in rayons, and would identify the most significant problems existing in the registration system. Representatives who took part in the initial meeting of Registrars came from the registration offices of all rayons of Georgia, Heads of the SDLM, to whom the registration offices are currently subordinate, as well as the Chairman of the Notary Chamber, as well as representatives of other parties involved in this process.

Arbitration/Mediation Services Pilot Project. The Legal Team is developing a pilot project to conduct arbitration/mediation services as an alternative dispute resolution technique. During the Moldova site visit, information was collected by one of the Team members on the arbitration system in effect in that country. Meetings have also been held with Russian mediation specialists. During December, a Task Force was formed within the project to prepare a design for the pilot project. The Task Force prepared an initial memorandum, which will be reviewed internally, and finalized for USAID review in January.

Review of Leased Agricultural Lands Privatization Issues. During December, foreign expert Dr. William Thiesenhusen was invited to assist the project. During the course of this visit, he met with numerous persons involved in government and the private sector who are involved with the use (and disposition) of leased agricultural lands. He also studied the draft Law on Privatization of Agricultural Land Remaining in State Ownership prepared by the Association. He will provide his comments and final report on this issue in mid January.

Dr. Thiesenhusen also gave a lecture for representatives of the Association and the project, in which he presented his opinions and views regarding of and management in Georgia and protection of landowners' rights. These opinions were based on expert's large experience in land usage field in various developing countries of the world. On the discussion that followed the course of a lecture, it was stated one more time that the Association has to deal not only

with the issues of land ownership but expend its activities in the direction of land usage as well. Otherwise dealing with just protection of landowners' rights might become useless for landowners themselves. Employees of the Association and the project positively evaluated their meeting with the expert.

Targets of the CA:

2.3.1. To prepare analytical report of necessary legislation by the End of Month 6

Status: Although the finalization of this report was delayed as a result of the parliamentary and governmental conditions this fall, the report was prepared during the month of December. This document will guide the activities of the Legal Team for the duration of the LMDP project.

ACHIEVED

2.4 Supporting Land Reform with an Effective Public Education Campaign:

Draft Strategic Plan for the Sector's Activities. The Public Education Sector has drafted a strategic plan to guide its activities for the balance of the LMDP. This draft strategy, prepared in October, will be revised in future months as activities progress. It was deemed that this documents is a draft of the final document and it cannot be considered the sector's strategy, in its current version. The Head of the sector is continuing to work in this direction and is perfecting the document. Some of the key elements of the Sector's strategy are noted below:

Preparing the TV-programs. In the month of September, an agreement was processed with the TBC-TV STUDIO and preparation works on the four TV programs began. In October, script materials were perfected and work on the program's plan was completed. In November, preparation of the first TV program was fully completed. An English language version of the program was also prepared and submitted to the USAID for consideration. According to the comments of the USAID, the program was amended and placed in the TV broadcasting net of the month of December – on the First Channel of Georgian Television.

Radio Programs. The CA originally envisaged preparation of two radio programs and two TV programs. However, it was determined that greater impact could be achieved by producing four TV programs, and the Target was modified accordingly. Nevertheless, the radio medium can be used for briefer "spot" broadcasts of 3 to 10 minutes and, after consultation with the APLR and LMDP management, it was decided to invite, for the purpose of coverage of events planned within frames of the Project, journalists of the information programs of the First Channel of Georgian Radio, who will present pertinent information to the listeners, by means of 3-10 minute stories. Such cooperation with them will be realized next year.

Press Reviews: During the past quarter, the sector prepared two analyses of the Georgian press. The sector also conducted a sociological survey of journalists ("Prospect of Cooperation"). An analysis of survey results was attached to the Georgian Press Analysis (for the period October 1 to November 20) and submitted to sector directors of the LMDP. The study provided noteworthy information, which should be taken into account while planning various activities.

Public Meetings: In October, a meeting was held with landowners of the village Akhalsheni, of Gurjaani rayon, on the issues land parcel consolidation, sales procedure, farm development.

The indicated meeting was filmed for the second TV program. For the second TV program we filmed the conference of registrars and the meeting of World Bank representatives with farmers of the village Dighomi.

In the month of October, four planning meetings were held with potential participants in the Bakuriani seminar, including representatives of banks and insurance companies. Those who were the most active during these meetings were identified as speakers for the seminar for journalists.

In the beginning of December (December 7), the sector held a meeting in Tskaltubo. The meeting was aimed at studying the opinion of landowners on the following issues:

- Problems of farmers related to farm expansion,
- Compliance between land quality and land tax
- Study of how active are the farmers when land, existing in villages, is being disposed

Meetings on the same issues were also held in the villages of Telavi (December 11-12) and Gori (December 20-21) rayons.

Bakuriani Workshop for Journalists. The Public Education Sector organized a three-day seminar for representatives of Georgia's principal newspapers. The purpose of this workshop, which was well received by the participants, was to acquaint journalists with the issues and problems of the land sector, and of landowners generally, with a view to improving the quality of coverage of these issues in the press. Information was also presented at this seminar by representatives of commercial banking and insurance agencies ("Sakartvelos Banki", "Aldagi") which was useful both for journalists and the Project's employees.

Acquainting the Public with Activities of the Association and the LMDP. During the period October through December, the Public Education sector provided individual consultations on progress of activities of the Association and the LMDP, to representatives of the mass media, including: newspaper "Akhali Epoka"; Giorgi Chubinidze, "Dilis Gazeti"; Inga Jabanishvili, "Georgian Times"; Meri Makharashvili, "Rezonansi"; Mariana Imnadze, Vaso Kapanadze, "Droni"; and Lela Mchedlidze, Tiniko Izoria. The indicated consultations concerned various topics: progress of initial registration of land; landowner rights; land sales; mortgages; etc.

Cooperation with Other Projects: The sector will continue cooperation with the project "Promedia II" of the program of the International Center of Journalists and will periodically take part in the trainings organized by them, which will be conducted by American journalists. This will increase the level of qualification of the sector's employees.

APLR Newspaper, "Landowner": A major activity initiated during this quarter was preparations for the APLR/LMDP Newsletter. This publication is designed to provide information to rural residents about the activities of the LMDP and about landowners' rights generally. It will also be a vehicle for conveying information of interest to farmers, covering a wide range of topics. Through subscriptions and advertisements, program income will be generated that will help support and extend the activities of both the LMDP project and the Association.

Other Publishing Activities: During this reporting period, the Legal team (with assistance of the Public Education team) prepared a reference book on legal terminology related to land issues. In January it will be widely reviewed, and a publication date of February is likely.

Other materials prepared during this reporting period, for publication early in 2002, include:

- a booklet about the Association and the LMDP (to be printed in January)
- an Open Letter from the Association to Georgian landowners (to be printed in January)

In addition, a brochure providing detailed information land taxation is being prepared. Preparation of this brochure is included will be funded in part by the Eurasia Foundation.

Targets of the CA:

2.4.1 Delivery of Material for Four TV Programs by the end of Month 6.

Status: This target initially envisioned the production of two radio and two TV programs. In order to maximize the reach and coverage of the programs, it was determined that TV coverage would have greater impact, and the target was modified to result in the production of four TV programs. The outline and rough script for the series was delivered in October, and the first show was produced and shown on national TV in December on Channel 1.

ACHIEVED

2.4.2a Completion of At Least 10 Public Meetings by the end of Month 6.

Status: Fourteen (14) public meetings have been held since May 2001. The list of meetings and supplementary information is listed in Annex F of this report.

ACHIEVED

2.4.2b Completion of At Least 10 Public Meetings by the end of Month 12.

Status: Based on the activities elaborated in the draft Strategic Plan, there should be no difficulty in meeting this Target.

ON SCHEDULE

2.4.2c Completion of At Least 10 Public Meetings by the end of Month 18.

Status: Based on the activities elaborated in the draft Strategic Plan, there should be no difficulty in meeting this Target.

ON SCHEDULE

2.4.2d Completion of At Least 10 Public Meetings by the end of Month 24.

Status: Based on the activities elaborated in the draft Strategic Plan, there should be no difficulty in meeting this Target.

ON SCHEDULE

2.5 Quality Control and Monitoring

Initiation of Activity of the Sector. The LMDP's Quality Control and Monitoring unit began its activities during this period, by conducting control in up to 15 rayons of different regions of Georgia, and conducting general inspection in two rayons: Borjomi and Lagodekhi, for a total of 17 rayons covered.

It must be noted that the activities of the sector during the current program were partly of a testing nature for the purpose of perfecting the process of sector activities. Based on received practice, the procedure of sector activities was elaborated and perfected.

The sector was equipped additionally with material technical means, with mobile computer equipment. At the end of the work program the sector will inspect total of 12 rayons instead of planned 17 rayons. This is due to the inspection carried out in Borjomi, which took more time than expected. Inspections were conducted in following rayons: Telavi, Akhmeta, Kazbegi, Akhalgori, Zestaponi, Sachkhere, Chiatura, Lanchkhuti, Ozurgeti, Chokhatauri, Dusheti. General inspection was carried out in Borjomi rayon.

Mistakes revealed during the inspection of subcontractor activities often were of a general character in each rayon, such as:

- Mistakes in names and surnames of the owners;
- Prepared information is poorly organized – information in subcontractor's or registrar's office is not organized according to relevant principles;
- Existence of repeated or unused numbers in registration numbering.

As the practice showed us, indicated mistakes are unavoidable and subcontractors periodically correct them. This fact was also confirmed by registrars.

Significant mistakes were disclosed in Borjomi rayon, which resulted in necessity of conducting a general inspection in this rayon. During the course of an entire week, work results were studied carefully. Based on revealed mistakes, a detailed report has been prepared. The mistakes were mainly discovered in field surveys, which caused concern to owners and the local land management offices.

Administration of the Association and the project issued a warning to the Borjomi rayon subcontractor and at the same time suspended payment of a submitted invoice until problems could be resolved. At the end of November, the indicated rayon was re-inspected and, based on verifications performed at that time, the amount of compensation to be paid to the subcontractor was determined.

2.6 Facilitating Development of Professional Associations

APLR Strategic Planning Workshop: Foreign experts Norman Flynn and Bill Malkasian visited the Association in late November/early December. The purpose of their visit was to conduct two-day seminar for representatives of the Association and the project, as a result of which strategic plan for the future development of the Association was elaborated. At the conclusion of the seminar, an initial version of a strategic plan was elaborated. A final report, with follow-up tasks elaborated, will be provided by the experts in late December, for review and adoption by the APLR Board in January.

Real Estate Brokers' and Appraisers' Associations: Flynn and Malkasian also held similar meeting and discussions with representatives of Georgian Real Estate Brokers and Appraisers. Recommendations for each of these groups will also be included in the experts' report.

3. CONCLUSIONS, RECOMMENDATIONS AND REQUESTS FOR ASSISTANCE

3.1 Technical Aspects of the CA

3.1.1 Expatriate Technical Assistance during this reporting period included:

- a) Dr. David Stanfield – Project Director and NGO/SRO Development Advisor
October 30 – November 9, 2001
- b) Mr. Norman Flynn (International Real Property Foundation)– Realtor/Valuer, Auction Association Advisor
November 28 – December 4, 2001
- b) Mr. William Malkasian (International Real Property Foundation) – Association Development Specialist
November 28 – December 2, 2001
- c) Professor William Thiesenhusen (Terra Institute) – Land Market and Land Reform Advisor.
November 28 – December 15, 2001

3.1.2 Expatriate Technical Assistance programmed for the upcoming reporting period will include:

- a) Dr. David Stanfield – Project Director and NGO/SRO Development Advisor
January 15 -- February 15, 2002
- b) Mr. Norman Flynn - (International Real Property Foundation)– Realtor/Valuer, Auction Association Advisor
March 2002 (Exact dates TBD)

3.2 Financial Aspects of the CA

The Chief Financial Officer will be submitting the quarterly Financial Status Report (SF269a) as required to the appropriate USAID office. The CTO has requested copies of this report and this request will be accommodated.

3.3 Conclusion

No unexpected or untoward problems were encountered during the third Work Program period, and no exceptional need for special assistance has arisen.